BOOK REVIEWS AND NOTICES

Prices and Wages. By PERCY WALLIS and ALBERT WALLIS. London: P. S. King and Son, Ltd., 1921. Pp. xii+456. 25*s*.

This volume contains a theory of value, prices, wages, profits, unemployment and business cycles; a theory comprehensive and most elaborately buttressed with statistical tables. Based on a Marxian foundation, it is fashioned into forms of decidedly daring novelty and originality, and it is put to a use that is far from Marxian. The labor-theory of value, with the corresponding conception of the unproductiveness of capital, the exploitation theory of profits and the idea of the dependence of capitalism on an industrial reserve army—all these have been inherent parts of scientific socialism since the time of Marx. Now, just as socialism seems to be finding that it can get along without them, they are taken up by two writers who distrust socialism, as leading inevitably to bureaucracy, who think a system of democratic and autonomous industrial groups is impossible and who believe in competition (with state aid) as the road to economic justice and order. The theory is put forth in a spirit of admirable modesty and with a consciousness that the data for its verification are quite incomplete.

Briefly, the theory is that values and prices of commodities, including gold, are governed by labor-cost of production, that wages and salaries show a tendency to absorb, with surprising regularity, about 64 per cent of the total value produced in different branches of production and in different historical periods, that capital is not in itself productive and that profits depend solely on the continued presence of unemployment (including part-time work), without which personal service would absorb the entire product as wages and salaries.

The correct policy for the state, then, is not to take over all capital, for this by itself has no magic productive power and the bureaucracy necessary to manage it might absorb as much income as private profit-takers and be less efficient. The correct policy for the state is to see to it that there is no unemployment. As for method, that is essentially a matter for experiment, but the authors suggest that the government stand ready to supply an up-to-date and fully equipped factory to any

persons wanting more work or better-organized work than private employers would furnish them. Government would "see that the books were kept" and that depreciation was taken care of, and whatever rate of interest it might charge would govern the market rate, so that "if the Government charged no interest, neither could anyone else." This last proposition, however, is apparently contradicted (page 448) in a passage which says that if capital had to be raised out of taxes the electors might not support the Government in the more or less speculative work of building up equipment for the future, "and that in that case private capitalists and financiers might, at their own risk, still invest in such undertakings and make profit and interest thereby." Under such conditions, however, profits would be just and would have to be earned by productive efficiency beyond the average.

Before attempting to weigh the authors' theories, the reader must needs adjust himself to some unfamiliar terminology. A fund of machinery is not capital, but "improved resources." "Capital" consists of the current using-up of these resources in production. "Normal price" means the money value of the product per capita of the working force. Thus it behaves quite differently from the kind of prices measured by index-numbers. In fact, the "normal price" of corn, for example, does not record the price of corn either in money or in effort; it varies directly with the money-price and inversely with the effort-price. Nor does it record the price of labor. Since the figures actually used in reckoning "normal prices" count everyone engaged in the industry, without deduction for part time, they also tend to vary inversely with the amount of part-time employment. A given volume of commodity, selling at a given money price, would register a higher "normal price" if it were the product of a smaller number of laborers working full time, than if it were the product of a larger number working part time. No wonder "normal price" rises in good times and falls in bad! If the authors wish to talk about value output per capita, it would be clearer to call it that or to use some other term more accurately descriptive.

The authors' attempt to support the labor theory of value by statistics shows courage, to say the least. It is based on the British Census of Production for 1907, and the figures show an annual value produced per person that varies from £61 in clothing and jute and linen to £343 in drink and coopering. The authors note, among other things, that "wherever the plant is large in proportion to the persons employed, the value produced is too high. This is no doubt due to the duplica-

tion caused by not deducting depreciation and taxes, which represent work purchased from people not included in the staff of the industry purchasing such work." When such large discrepancies are accounted for in this conjectural fashion a great deal is taken for granted. Interest on investment would ordinarily be supposed to account for part of the discrepancies, and no proof is given that it does not. Incidentally, the claim that taxes go to pay labor needs some qualification. Interest on public debts was a large item even at the time covered by the authors' figures, and is vastly larger now.

One of the central features of the book is a graph showing the effect of unemployment on wages, on the assumption that with no unemployment at all, wages would absorb the entire product, and that unemployment, besides reducing the total output, reduces also the percentage received by labor. Some statistics are cited as indications of the character of the curve, but unfortunately the figures (table 70) show only the percentage change in total wages *from the base year, 1905*, without allowance for changes in total value produced. The result is a figure of 106 per cent for 1915, which obviously does not mean that labor absorbed 6 per cent more than the entire product of that year, yet it is used to verify figures which purport to show the percentage of *current product* competition naturally gives to labor. Needless to say, the result is inconclusive. The authors' theory requires profits to be smaller in times of active business when unemployment is low, whereas they are commonly larger. This can possibly be explained by the delayed action of certain forces, but it makes it difficult to find real statistical evidence for the authors' theory. The inquiry is an interesting one: an inductive study of the effect of unemployment on wages would be extremely useful, if it were based on comparable data. With the wealth of material now available in the shape of indexes of production, prices and incomes, it should be quite possible to make such a study, the figures for unemployment being the only really weak link in the chain of evidence.

As to the general theoretical doctrines of the book they cannot be said to be proven. Indeed, after taking account of all the qualifications and exceptions introduced by the authors themselves (especially in the final chapter), it is a little hard to say exactly what it is that remains to be proved. The authors would not abolish all interest and profits, but would limit them to a reward for organizing ability above the average, by abolishing involuntary unemployment. But why average? Do the authors mean that approximately half the

producers shall always be producing at a loss? And if so, why will they go on producing?

It is to be hoped the authors will go farther with their constructive proposals, and will show toward their own plan the same hard-headed sanity which they display in visualizing and criticizing the programmes of socialism. In particular some attention should be paid to the importance of the marginal producer and to the fact that there are different kinds of unemployment, some being inevitable and some positively beneficial. Altogether, the book contains much sound sense, together with numerous statements which appear to be *non sequiturs*. There seems to be a peculiar quality in economic theorizing whereby persons who would not be far apart on tangible and clearly defined issues, can manage to clash irreconcilably in the realm of the concepts they have builded, wherein they do not even talk each others' language. Economists will not accept the Wallis theory of profits in its present form—probably they will not agree that the book contains a consistent theory—yet there is something here which may prove to be worth following up. A system of industry in which the available stock of energy cannot be fully and steadily utilized without giving labor a larger share of the output than the system will permanently permit; and which knows no better cure than chronic unemployment; and a labor market warped and demoralized by this fact—these sound suspiciously like fair characterizations of one of the worst features of modern industrialism.

J. M. CLARK

UNIVERSITY OF CHICAGO

The Farm Bureau Movement. By O. M. KILE. New York: The Macmillan Co., 1921. Pp. 282.

This is a timely and illuminating volume from a man who by virtue of his official connection has been privileged to secure a particularly intimate view of the national farm bureau organization. In spite of this former connection and the friendly introduction by President Howard of the American Farm Bureau Federation, this book is not, so the reviewer is informed, to be regarded as an official statement nor is it accepted at headquarters as an entirely satisfactory exposition of the matter. However, it may be commended to the mass of readers as being a broader, more accurate, and more comprehensive description and analysis of the movement than is ordinarily to be secured so early in the history of great popular movements of this sort.